STAMP BILL.

Mr. Kesava Pillai.—At the last meeting of the Council, I obtained permission to introduce a Bill to consolidate and amend the Stamp Law. I now beg to introduce it.

The Bill has been already published in the Gazette and circulated among the Members. In the notes appended to the Statement of Objects and Reasons, I have briefly explained the principal amendments and additions proposed to be introduced. I will, therefore, add but a few words in explanation of the objects and scope of the measure.

The chief purpose proposed to be served in re-enacting the Stamp Law is to make its provisions clearer and to bring them more in conformity with the Law in force in British India. With that view, the Bill has been drafted on the lines of the British Indian Act, II of 1899, which itself is a consolidation and amendment of the former Act I of 1879 on which our present Regulation is based. In this connection, I may quote here a passage from the speech delivered by the Honorable Sir James Westland in 1897 when he introduced the Stamp Bill in the Legislative Council of India. He said: "The Stamp Law differs from most other Revenue Laws in this respect, that it is left very largely to a sort of automatic operation; that is to say, that it is applied by persons themselves to their own transactions and the burden of its interpretation rests not merely upon the lawyer but upon the layman. It is all the more necessary therefore that, in its working and in its explanation, it should be as clear as possible, so that people who desire to pay proper duty upon their documents and have no intention of evading the duty in any way may thoroughly and clearly understand the obligations which rest upon them." The object explained in the above passage was steadily kept in view in the framing of Act II of 1899. When we remember the fact that the Stamp Law is one which enters largely into the business transactions of everyday life and that its provisions which have been borrowed from the English Law, deal with a special form of taxation almost foreign in character and apply to several transactions which have but recently become current in India on account of new commercial relations, the necessity for making the Law as intelligible as possible becomes manifest.

The most important point which will interest the public in connection with the proposed measure is as to whether any alterations are to be made in the amounts of the duties. As I have already explained in the Statement of Objects and Reasons, the amounts of the duties remain substantially the same as in the existing Regulation. Financial considerations, of course, preclude the possibility of any reduction of the duties. The additions proposed are few and not of an important character. Some cases in which evasions of duty have been rendered possible on account of defects in the law or doubts in its interpretation, have now been clearly brought in. For instance, a number of instruments which at present escape duty have been included under the one-anna rate by giving a wider definition to the term 'bills of exchange.' The few cases in which the amounts of duties are proposed to be altered have been explained in my notes already published; and I will not detain the Council by making any further observations on that subject.

As regards also the amendments which do not affect the amounts of the duties but simply relate to the working of the Stamp Law, there is little to be added to the explanatory remarks contained in the notes. One or two points may, however, be briefly referred to. The alteration proposed respecting the conversion of British and Foreign currencies is important. The value of the gold currency in relation to silver has considerably increased since the passing of the existing Stamp Law; and it is but equitable that the rate of exchange for stamp purposes should also be altered. Instead of fixing a permanent rate, however, it is desirable to give power to the executive to determine the rate from time to time in accordance with the variations in the market value.

The proviso to section 25 and the explanations are new and important. When property subject to a mortgage or other encumbrance is sold, the unpaid mortgage money or other money charged should also be reckoned as a part of the consideration

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for the sale, except where the mortgagee is himself the purchaser. This point is not made clear in the existing law; and the uncertainty with regard to the interpretation of the section will be removed by adopting the proposed amendments.

Sections 57, 58 and 59 in the Bill dealing with the revisionary and other powers of the Dewan are new. In British India, these powers are exercised by the Chief Controlling Revenue Authority. As the Stamp Law is essentially a Revenue Law, it seems to me that the ultimate power of decision in all cases coming under that Law should vest in the Dewan as the Chief Controlling Revenue Authority. It is only when he finds that a judicial ruling is necessary that he need refer any question of Stamp Law to the High Court. I may add that this was the view held by the late Mr. Thanu Pillai, and the above sections are substantially the same as the provisions relating to this point contained in the Bill which was introduced by him and subsequently withdrawn.

With these observations, I beg to move that the principle of the Bill be affirmed.

The Council having affirmed the principle of the Bill, Mr. Kesava Pillai proposed that the Bill be referred to a Select Committee consisting of Messrs. Rajaram Row, Govinda Pillai, Kuruvila and the Mover, to report within three months.

Seconded by Mr. Nagam Aiya.

Carried.

President.—The Stamp Bill introduced by Mr. Kesava Pillai being a financial measure, I think it necessary to give you an accurate idea of the position of the State finances in order that you may be able to form a correct opinion on any application or suggestion that may be made to you for the reduction of stamp duty. Last Malabar year, our receipts amounted to Rs. 100,35,898 and disbursements to Rs. 109,97,379. After deducting from the latter the amounts spent in connection with His Excellency the Governor's visit, All-India-Victoria-Memorial, His Highness' tour to Delhi, the Art Exhibition at Delhi, and the local celebration of His Majesty's Coronation (which were extraordinary items of expenditure) and the amount spent on the Kodayar Project Work chargeable to capital, the ordinary expenditure of the State amounted to Rs. 99,89,820. Notwithstanding that our receipts were the highest on record during the last year, the ordinary expenditure consumed almost the whole, leaving a very small surplus of Rs. 46,078. Some extraordinary expenditure must be expected every year although the items may not be the same and the amount to be spent may vary. It cannot be said that I am overestimating if I assume that at least a lac of Rupees will be required annually to meet such expenditure. Many items of income are fluctuating. The revenue from Tobacco and Forests is peculiarly susceptible to losses incidental to smuggling for which the extensive backwater communications, the innumerable passes through the mountains and hill ranges, and the fiscal systems of the adjoining countries as regards tobacco afford ample facilities. The only item of revenue which gives a certain hope of an increase of a lac of rupees this year is Abkari. The loss of revenue caused by the reduction of duty on salt is not likely to be fully covered by the increase in the sales as the Indian agriculturist has yet to learn the use of this commodity for purposes of manure, and the trade in salted fish is not making the progress anticipated when the export duty thereon was reduced by 50 per cent. The guaranteed interest on the Travancore Branch of the S. I. Railway which amounted to Rs. 2,30,014 last year will rise to Rs. 4,00,000. As a very large number of appointments have scales of pay, an increase in expenditure under 'salaries' should be expected. Judging from the numerous requisitions from the Heads of Departments for extra allotments of funds, often based on cogent grounds, I do not think that there is any possibility of reducing the expenditure without affecting the interests of the public or the efficiency of the service. Under these circumstances, it does not require an expert in finance to realise that our receipts under existing conditions are not likely to exceed our *ordinary* expenditure. It is clear, therefore, that we cannot give up any portion of the stamp revenue.

The advocates of reduction may point to the reserve in the Treasury in support of their demand. The opening balance at the beginning of the current year was

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Rs. 89,78,395 which is less than one year's income by 11 lacs. Of this amount, 15 lacs at the least would be required as a working balance. Ten lacs represent the Virutlli fund which is intended to meet the new charges arising from the abolition of the viruthi system of supplies to religious and charitable institutions. Then, we have only Rs. 64,78,395 which may be called the *reserve proper*. The legitimate use of a reserve is to employ it on reproductive works. Since last year, the Kodayar Irrigation Project work is carried on out of the reserve fund. Even the first revised estimate of Rs. 28,05,450 sent by Mr. Jopp which, it should be remembered, was nearly four times that of Mr. Jacob's original estimate of Rs. 7,94,850 is now declared to be *too low*. The second revised estimate is now under active preparation. Already, Rs. 24,72,844 have been spent on this great work. Half of the dam and nearly three-fourths of the Tiruvancode branch of the Left Bank Channel may be said to have been completed. The construction of the Right Bank and Thovalay channels and distributaries of all 'channels have yet to be commenced. Under these circumstances, we may safely conclude that at least another 20 lacs would be required to complete this Project work. When Mr. Jopp's estimate came before me, I had to consider the financial aspect of the Project. On the data furnished by the Settlement Officer specially deputed for the collection of the necessary statistics, I then came to the conclusion that, on an expenditure of 60 lacs, we may expect a return of 5 per cent. I trust that the expenditure may not reach the high figure of 60 lacs. Some allowance must be made for our hopes of return not being *fully* realised. But I entertain no doubt that, under any circumstances, we may be sure of a return of $3\frac{1}{2}$ or 4 per cent. and that the project will prove a really reproductive work. After its completion, the Trivandrum water-supply scheme, which is roughly estimated to cost Rs. 8 lacs, has to be taken up. The history of great project works proves that the first estimate can never give us any approximate idea of the actual cost. The Kodayar and Karamanay projects are likely to absorb a very large portion of the small reserve (so often called 'hoards'). We should not forget that we should have some reserve to fall back upon when adverse seasons and epidemics may not only affect the revenue but also necessitate extra expenditure. I may here quote the weighty and far-seeing observations of His Excellency the present Viceroy, than whom there is no more sincere friend to Native States, made in his speech to the Kathyawar chiefs in November 1900:—

"There is another lesson which the famine has taught you and that is the positive "necessity of laying by a portion of your incomes in every year as an *emergency* "*fund* to meet these sudden and terrible strains. The fascination of living up to "one's income is well-known in all classes. When famine ensues, a rude awakening "comes; for, an exhausted treasury is powerless to meet demands that fall thick and "fast upon it and the State is thereupon burdened with a debt that may hamper its "development for many years to come. The finances of some of the States, greatly "to their credit, were able to weather the storm without any recourse to outside "assistance."

I need hardly tell you that the financial policy indicated by Lord Curzon in the above quotation has always been our policy, and that it must continue to be our guide. It is obvious that our small reserve, with the charges it has to bear, will not justify even a partial sacrifice of any of our sources of revenue.

While His Highness' Government do not desire to increase the revenue under "stamps", they cannot look upon any material decrease of it with indifference.' So far as I could see now, Mr. Kesava Pillai has not lost sight of this important consideration in framing the present Bill. I know that some adjustment of rates is necessary, but what I wish to impress upon you is that it should be so made as not to affect the revenue derived from this source.

DYNAMITE BILL.

Mr. Kesava Pillai.—I beg to move that the Rules be suspended and that permission be granted for the immediate introduction and consideration of this Bill, which is an urgent measure. It has been already published in the Gazette and circulated among the members.

President.—In reference to the motion now before the Council, I would point out that, as Regulation I of 1079 will be in force for only 6 months, it is necessary

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